



# JUDY CHU, Ph.D.

## CALIFORNIA STATE BOARD OF EQUALIZATION

FOURTH DISTRICT – LOS ANGELES

# e-NEWSLETTER

Serving over 8.5 million people and 73 cities in Los Angeles County



March 2007  
Volume 1, Issue 1

Dear Friends:

Welcome to my E-Newsletter! I am pleased to share updates with you on some of my work at the California State Board of Equalization in Sacramento and Los Angeles County.

As one of California's twelve state constitutional officers, it is an honor to represent the 8.5 million people of the Fourth District, which encompasses most of Los Angeles County and includes 73 cities. The State Board of Equalization collects nearly \$53 billion annually to provide essential services for the people of California through taxes and fees, representing 36% of the state's budget. The Board also makes key tax decisions, many with multimillion dollar implications.

I am committed to improving our system for collecting the tax dollars that we are owed, while also building a seamless, fair tax system that allows our small businesses to achieve the American dream. With this year's budget deficit of \$5.5 billion, we must ensure the revenue that enables California students to learn, our residents to be healthy and our environment to be clean.

If you have any questions, please contact me at [Judy.Chu@boe.ca.gov](mailto:Judy.Chu@boe.ca.gov).

Sincerely,

*Judy Chu*

**JUDY CHU, Ph.D.**

Vice Chair, State Board of Equalization

## DR. JUDY CHU TAKES OFFICE AS ONE OF CALIFORNIA'S TWELVE STATE CONSTITUTIONAL OFFICERS



*Dr. Judy Chu is sworn-in by Controller John Chiang, as Senator Mark Ridley-Thomas, Los Angeles County Federation of Labor Executive Secretary-Treasurer Maria Elena Durazo, Congresswoman Hilda Solis, Los Angeles City Controller Laura Chick, and Assembly Member Mike Eng look on.*

During the month of January in ceremonies in Sacramento and Los Angeles attended by family, friends and supporters, Dr. Judy Chu was officially sworn in as one of California's twelve state constitutional officers and one of the highest-ranking Asian American elected officials in the country. Dignitaries in attendance during her inaugurations included Lieutenant Governor John Garamendi, Former Lieutenant Governor Cruz Bustamante, Controller John Chiang, Former Controller Steve Westly, Board of Equalization Member Betty Yee, Senators Mark Ridley-Thomas and Gloria Romero, Assemblymembers Patty Berg, Mike Eng, John Laird, Mark Leno and Ted Lieu, Former Assemblymembers Fran Pavley and Dario Frommer, Congresswoman Hilda Solis, Los Angeles County Assessor Rick Auerbach, Los Angeles City Controller Laura Chick, Los Angeles County Federation of Labor Executive Secretary-Treasurer Maria Elena Durazo, and countless others.

Dr. Chu previously served three terms as an Assembly Member for the 49<sup>th</sup> District in the West San Gabriel Valley from 2001 to 2006 and on the Monterey Park City Council for thirteen years from 1988 to 2001.



---

## CHU UNANIMOUSLY NAMED VICE CHAIR OF THE STATE BOARD OF EQUALIZATION

The California State Board of Equalization unanimously selected Board Member Chu as Vice Chair during their first meeting of the year in January. Additionally, she was named Chair of the Board of Equalization Legislative Committee.

"It is an honor to be chosen by my colleagues to assume this leadership role. I thank them for the trust they have bestowed on me for this very important position," said Vice Chair Chu.

The Board is the only elected tax board in the United States and is responsible for the administration of more than 20 state taxes, fees and revenue programs to provide essential services for the people of California. Further, it acts as the appellate body for franchise and income tax appeals.

---

## VICE CHAIR CHU TO HOST DOMESTIC PARTNERS TAX SEMINAR

In partnership with the City of West Hollywood, Los Angeles Gay and Lesbian Center, and Equality California, Vice Chair Chu will host a seminar to provide important tax information on recent changes to California tax law that affects registered Domestic Partners.

As a result of SB 1827 which was signed into law last year, Domestic partners will be allowed to file California tax returns as "married and filing jointly" and "married and filing separate" beginning on their 2007 tax return that will be filed in 2008. During the seminar, representatives from the Board of Equalization and the Franchise Tax Board will provide a brief presentation and answer questions. Topics discussed will include new filing requirements and deductions, becoming a "registered domestic partner", Proposition 13 and property taxes, estate planning and much more.

**When:** Wednesday, April 4, 2007

**Where:** Plummer Park  
Rooms 5 & 6  
7377 Santa Monica Blvd.  
West Hollywood, CA

**Time:** 7:00PM – 8:30PM

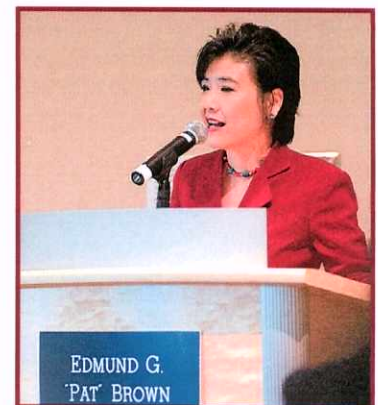
To RSVP or for more information, please contact Vice Chair Chu's District Director, Pearl Fu, at (323) 980-1221 or [Pearl.Fu@boe.ca.gov](mailto:Pearl.Fu@boe.ca.gov).

---

## VICE CHAIR CHU SPEAKS ON HEALTHCARE PRIORITIES AND ADVANCING A HEALTH POLICY AGENDA FOR THE ASIAN PACIFIC ISLANDER AND LATINO COMMUNITIES

On February 13<sup>th</sup>, Vice Chair Chu served as the featured keynote speaker at the Pat Brown Institute's Health Policy Outreach Center Summit, "*Translating Community Needs into Effective Public Policy: A Health Dialogue on Asian Pacific Islander & Latino Communities*," held at The California Endowment in Los Angeles.

Vice Chair Chu spoke of her experiences as Chair of the Assembly Budget Subcommittee on Health and Human Services while serving in the California State Assembly, and her efforts to prevent cuts to funding in the state budget for California's critical services for working families, the aged, and the disabled. She also conveyed the importance for the Asian Pacific Islander and Latino communities to work collaboratively to solve common problems and effectively influence public policy.





---

## HAPPY LUNAR NEW YEAR 4705 – THE YEAR OF THE BOAR!



Vice Chair Judy Chu with Los Angeles Mayor Antonio Villaraigosa at the 108th Annual Golden Dragon Parade in Los Angeles Chinatown.

Vice Chair Chu joined thousands of residents throughout Southern California during the month of February to celebrate the Lunar New 4705 – the Year of the Boar.

On February 18th, Vice Chair Chu rode down historic Colorado Boulevard in a classic convertible at the LA 18 KSCI-TV Lunar New Year Parade in Pasadena. On February 24th, Vice Chair Chu participated in the 16th Annual San Gabriel Valley Lunar New Year Parade in Alhambra and the 108th Annual Golden Dragon Parade in Los Angeles Chinatown.

"Gung Hay Fat Choy! May the Year of the Boar bring everyone happiness, good health, and good fortune," stated Chu.



Vice Chair Judy presents Mary Grace Vicente with Merit Award certificate.

---

### VICE CHAIR CHU PRESENTS MERIT AWARD TO WEST COVINA DISTRICT OFFICE EMPLOYEE

On February 22<sup>nd</sup>, Vice Chair Chu recognized Mary Grace Vicente, Associate Tax Auditor at the Board of Equalization District Office in West Covina, for her participation in the Employee Suggestion Program.

Ms. Vicente's proposed several changes to improve form BOE-101 *Claim for Refund or Credit*, a form that a taxpayer can use to request a tax refund or credit in writing from the Board of Equalization.

Employees are encouraged to participate in the Employee Suggestion Program and submit proposals on ways to improve the overall BOE operations. A cash award may be granted if an employee suggestion is adopted and implemented at the Board of Equalization.

---

## Board Hearing Update

Vice Chair Judy Chu continues to make key decisions critical to the lives of California taxpayers. Listed below are summaries of some important cases the Board recently considered.

### February 1, 2007 – Sacramento

#### **Vice Chair Chu votes to adopt regulatory amendments clarifying the tax rules on the installation of solar plants.**

The Board considered proposed amendments to Regulation 1521, *Construction Contractors*, which addressed whether solar panels are considered fixtures or materials when installed as part of a construction contract. This question is important to the solar industry and construction contractors and their customers as who pays the tax and the measure of tax may be different depending on whether the solar panel is treated as a material or a fixture.

After hearing from interested parties, the Board adopted rules that clarified Regulation 1521, to explain that solar panels are materials when they are combined with other tangible personal property and installed as roofing shingles, skylights, wall panels, or windows, because they lose their identity and become an integral and inseparable part of the realty. However, solar panels that are installed as accessories to a building or structure and do not lose their identity as accessories when installed are considered fixtures.



Board Hearing in Sacramento. (L-R: Mary Jo Mandel, Vice Chair Judy Chu, Chairwoman Betty Yee, Board Member Michelle Steel, Board Member Bill Leonard)



**Vice Chair Chu orders an update to the BOE's publications on Corporate Officer Liability and recommends that the Board publish a Memorandum Opinion regarding when Corporate Officers can be held personally liable for taxes owed by a corporation.**

Regarding the Petition of Hosmer Chandler McKoon, Vice Chair Chu recommended that the Board publish a Memorandum Opinion holding that the statute of limitation begins to run when the business terminates. Chu recognized that many corporate officers and taxpayers may be unaware that they could be personally liable for the tax of their business or employer. In order to better inform unwary corporate officers, Vice Chair Chu directed staff to provide more guidance to taxpayers regarding the potential for corporate officers to be held personally liable for unpaid taxes when a corporation terminates and the corporate officer had willfully failed to pay any taxes due by the corporation. The Board voted in favor of Vice Chair Chu's recommendations and BOE staff is updating the publications on Corporate Officer Liability.

**Vice Chair Chu makes historic decision affecting the airline industry in California.**

In considering the Appeal of Alaska Airlines, the Board was required to interpret and apply a complex regulation that governs the taxation of airline income. Currently, California can only tax income that is generated in the state. When a corporation does business in more than one state, a formula must be applied that compares the corporation's activities in California to its activities in other places, with the goal of estimating the share of the corporation's income that is generated in California. Although the standard formula works well most of the time, it doesn't accurately reflect the income of certain industries. For example, the airline industry is in a unique situation because airplanes fly back-and-forth across state lines. Due to the unique nature of the airline industry, there is a special formula for apportioning airline income. In this case, Alaska Airlines prepared its returns according to language of the airline regulation, while the Franchise Tax Board wanted to use a different method that it believed was more accurate. During the hearing, Vice Chair Chu noted the regulation was the controlling law and taxpayers are entitled to rely on the regulation's language. After studying the issues and questioning both sides, Chu determined that the taxpayer had correctly applied the regulation. Although Vice Chair Chu strongly supports collecting taxes we are owed, she determined there was too much ambiguity in the law and advocated for clarity in the law to enable the taxpayer to pay their proper share. Therefore, Vice Chair Chu made a motion to uphold the taxpayer's position. The Board unanimously voted to support Chu's motion.

**Vice Chair Chu works to clarify California tax laws and shows compassion for hard working families and small business owners.**

The Board considered the Petition of Joseph Amash, a retired gas station owner who had failed to file an underground storage tank fee. Mr. Amash claimed that he was unaware of the required fee and stated that the Board of Equalization did not inform him of such a requirement. At the hearing, Vice Chair Chu questioned how taxpayers are informed about having to pay the underground storage tank fee. Board staff stated that Mr. Amash was sent a Tax Information Bulletin informing him of the fee and therefore should not be entitled to penalty or interest relief. After careful review, Chu noticed that the document in question was a general bulletin about BOE tax information and services, and it was not until page 7 of 8 could the section on the underground storage tank fee be found. As a result of the inadequate notice, Vice Chair Chu voted to waive the failure-to-file penalty in this case. The Board voted 3-2 with Board Members Leonard and Steel voting with Chu. Furthermore, Vice Chair Chu directed staff to provide better notice of the underground storage tank fee requirement to taxpayers in the future.

**Vice Chair Chu sets Board precedent on Voluntary Compliance Initiative (VCI) appeals.**

In the Appeal of Benjamin and Carmela Du, the Board was required to determine whether it has jurisdiction to hear appeals from taxpayers who participated in the Voluntary Compliance Initiative (VCI). The VCI was an opportunity for taxpayers who engaged in illegal tax shelters to come clean, by voluntarily disclosing their tax shelters in return for penalty relief. It offered two options: under option one, taxpayers could have all penalties waived in exchange for giving up their appeal rights; under option two, taxpayers could have some penalties waived while keeping their appeal rights. At the hearing, Chu stressed the difference between the two VCI options and stated that taxpayers had the obligation to carefully weigh the costs and benefits of those options. If a taxpayer chose option one and received the benefit of full penalty relief, then that taxpayer had to pay the cost and forego the right to appeal. Therefore, Vice Chair Chu made a motion to clarify that the Board does not have jurisdiction to hear VCI option one appeals, and the other four Members supported the motion.

---

# Calendar of Events

## **APRIL**

4 - Domestic Partners Seminar (W. Hollywood)

## **OCTOBER**

Small Business Fair

## **JUNE**

Non-Profit/Exempt Organizations Seminar (Pasadena)

## **NOVEMBER**

Non-Profit/Exempt Organizations Seminar

## **SEPTEMBER**

Small Business Fair

## **DECEMBER**

Domestic Partners Seminar

---

Please contact one of my offices should you feel you need assistance, information on Board of Equalization services, or would like to make a comment.

| <b>Sacramento Headquarters Office</b>  | <b>Fourth District Headquarters Office</b>  |
|--|---|
| 450 N Street, MIC:72<br>Sacramento, CA 95814<br>Phone: (916) 445-4154<br>Fax: (916) 323-2869 | 1100 Corporate Center Drive, Suite 203<br>Monterey Park, CA 91754<br>Phone: (323) 980-1221<br>Fax: (323) 980-1236 |

**Website:** <http://www.boe.ca.gov/members/jchu/>

If you would like to be removed from my email contact list, please email me at [Judy.Chu@boe.ca.gov](mailto:Judy.Chu@boe.ca.gov).